tariff and trade policies, and strengthening the public distribution system. Specific measures taken by the government to contain inflation include the following:

On June 15, 2004, government reduced excise duties on selected petroleum products to keep their domestic retail prices in check in the face of rising international prices of oil. Excise duty on petrol was reduced from 30 per cent to 26 per cent, that on high speed diesel from 14 per cent to 11 per cent and that on liquified petroleum gas (LPG) from 16 per cent to 8 per cent.

On August 18,2004, government further reduced excise and customs duties on selected petroleum products Customs duty on petrol, diesel, LPG and kerosene were reduced by 5 per cent each, while excise duty was reduced by 3 per cent each for petrol and diesel and by 4 per cent for kerosene.

On August, 20,2004 government reduced customs duties on non-alloy steel and ships for breaking to 5 per cent from 10 and 15 per cent respectively in order to check high inflation in metals and metal products. Melting scrap of iron and steel was fully exempted from customs duty.

In a bid to control the edible oils and make its availability easy, the government on September 16, 2004 cut tariff values on many vegetable oils by around $50 a metric ton.

As there was a fall in the international prices of crude oil, oil companies reduced the prices of petrol by up to Rs. 1.26 per litre with effect from November 15,2004.

As a result of these fiscal and monetary measures, the inflation rate has come down to 7.02 per cent as on 36th week ended on 4th December 2004. These measures are also expected to keep the stability in interest rate.

Implementation of VAT in States

1932. SHRI NANA DESHMUKH:

SHRI SANJAY NIRUPAM:

Will the Minister of FINANCE be pleased to state:

(a) the present status with regard to the implementation of Value Added Tax in different States in the country;

(b) whether some States are already implementing VAT, if so, the details thereof;

(c) the advantages/disadvantages that are attached with this new tax system and the impediments that exist in implementing it in all the States; and

(d) by when Government expect to implement VAT system in the entire country?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (d) On the recommendation of the Conference of the Chief Ministers of States, held on 22.6.2000, an Empowered Committee of State Finance Ministers has been constituted to monitor the implementation of VAT in the States. In the meeting of the Empowered Committee of State Finance Ministers held on 18th June, 2004, it was resolved to introduce VAT at the State level, from April 1, 2005. Presently only State of Haryana has implemented Value Added Tax system. VAT has flexibility to generate large and buoyant revenues and eliminates cascading of taxes. It also tends to decrease incentive for evasion, as tax does not concentrate the impact at any given level. Further tax burden is transparent and Zero rating of tax on exports is easy.

Reversal of Foreign Aid Policy

1933. SHRI GIREESH KUMAR SANGHI:

DR. T. SUBBARAMI REDDY:

Will the Minister of FINANCE be pleased to state:

(a) whether Government have reversed existing foreign aid policy and has decided to accept bilateral development assistance from all G-8 countries;

(b)if so, whether Government have decided that bilateral aid inflows would be restricted to bring India's repayment commitments to minimum;

(c) if so, what are the main reasons for reversing existing foreign trade policy;

(d) if so, what are details of policy that is being considered and to what extent it will be different than earlier one; and